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FROM USMISSION UNESCO PARIS
FOR IO/T, IO/S, L/UNA

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SUBJECT: USUNESCO: 172ND EXECUTIVE BOARD REPORT ON F&A
COMMISSION

1. There was no controversy surround in the work of the F&A Commission at the 172nd UNESCO Executive Board. Agenda items 4, 6, 12, 34, 41, 49, and 53 items were requested to be forwarded to the PX Commission with no discussion in F&A. Of these USDel requested that Item 6 be discussed.

2. Agenda Item 39: The U.S. Delegation made comments on our two areas of concern, the slow progress in developing in-house facility management expertise and the continuing problems with managing and monitoring their extrabudgetary program. The Italian delegation also raised concern with facilities management and questioned the issue with support costs for extrabudgetary programs. Other Dels raised a variety of questions. The Secretariat representative responded to the questions on the extrabudgetary programs by discussing the efforts of the Working Group that has been established. She also acknowledged that there is a problem with the management and implementation of these programs but that they are making an effort to improve and asked for the Board's patience in this area; that full progress would be presented by next Spring. She attributed much of the problem to poor planning for these projects, lack of personnel or expertise and an insufficient execution plan. She said a report on support costs for extrabudgetary projects would be completed 2 November and that the table for implementation and accountability is being completed. On facility management, the Secretariat stated that IOS is looking at issues such as an inadequate inventory on non-expendable equipment. He also said that they rely heavily on interagency solutions for some facility issues. Decision adopted noting the status of these items and requesting the D-G to forward to GC with EB comments.

3. Agenda Item 33: USDel raised concern with the action requested under this agenda item and asked whether it necessitated the suspension of Fin Reg 4.3/4.4. U.S. Del also questioned why this practice persists and urged the Secretariat to discontinue it. This generated much discussion from the other Dels. Japan also questioned the applicability of the time limit in the Fin Regs. Russia backed this up by asking if this Reg doesn't apply, what does govern? The Secretariat replied that Fin Reg 4.3 does govern but

SIPDIS

that the time limit does not apply to those items addressed by the phrase "other legal obligations". These are not subject to the 12-month period because this phrase is intended to capture unforeseen legal obligations that cannot be executed within a time limit. Japan acknowledged this, but asked whether the items being requested truly were unforeseen legal obligations. Legal Council offered some explanation for this and for some of the expenses it was reasonable-but for others such as over-expenditures in field offices, the Board agreed these were poor management/internal controls and not unforeseen legal obligations. The Board then turned to the draft decision. The U.S. questioned that if this action is governed and allowable by the Fin Regs why does the decision need to contain language that the Board "approves" it. It seemed the Secretariat is just trying to "legitimize" the practice as it has in the past (though we didn't say this). Canada backed this up. Dels urged that there not be a continued balance in ULOs and that this practice if used in the future be limited to truly unforeseen legal obligations (i.e. law suits). After lengthy discussion on the language, acceptable changes were made to the draft decision and it was adopted. There was not any language "approving", just "noting", and added language urging the Secretariat to discontinue this practice to the greatest extent possible.

4. Agenda Item 35: U.S. Del made a statement that we

do not support external borrowing, cannot pay interest on it due to U.S. domestic law, and have not seen any evidence that it is needed based on the Organization's cash position and WCF. UK also indicated they do not support external borrowing. Many other Dels spoke about urging non-payers to pay and implementing stricter penalties besides losing a vote, especially for those not in compliance with payment plans. It was decided this was a matter of changing the Constitution and not really for action under this agenda item. Many Dels did not want to see UNESCO implement external borrowing but raised the point that if it did, interest should only be paid by non-payers for the year where the borrowing was necessary. Otherwise, they felt, payers were penalized and had to pay interest when they had paid on time. External borrowing authority will ultimately be taken up at the GC, and we need to be prepared to try to stop approval of this authority and if necessary, to respond to the question of only non-payers paying interest. Most Dels did not have as strong a position as we did on this. The Secretariat representative gave what was essentially a lecture (note: we felt this was largely directed at the U.S.) that many Member assessments are not paid on time and to couple that with denying the authority for external borrowing was constraining and tied their hands. He said it leaves them no safety net and makes managing the organization and cash flow too risky. Japan stated that it may be necessary to allow such a safety net in this context. The draft decision was adopted; it contains no language on external borrowing.

14. Agenda Item 3: There was little discussion on this item and the draft decision was adopted with no changes.

15. Agenda Item 21: USDel stated that we are not supportive of this approach overall but we did not block consensus on it. We indicated that we think these costs should be included in the regular budget and the organization must continue to prioritize to achieve this. We asked some questions with regard to the operation and management of the Special Account and stated there should be no indicative minimum. Iceland pushed for further prioritization and the need to identify programs that could be ended. France also stated that they did not like the approach in that they did not think it was acceptable to rely on voluntary contributions for priority programs. Japan stated that they too felt it was not a good answer but it was a compromise they could accept given the discussions of the last EB. The UK said they would accept it but didn't like it because they do not feel the \$610 budget represents a re-ordering of priorities, which is what was asked for by the last EB. They added that if UNESCO can only get governments to agree to fund priority programs through voluntary contributions, it should be a warning sign to the Organization. Germany also came out against the approach of a Special Account but will accept it. Brazil stated they are generally pleased with the efforts of the Secretariat and the results. The Secretariat responded to questions. The programs funded by the Special Account are already ongoing, supported by the Regular Budget so they say there will be no major disruption created when the Special Account is ended. The Special Account will function in accordance with the Fin Regs and there is no indicative minimum-it is optional. They also stated that when they try to pinpoint activities to end, some Member States always object so they need support in this area. The Board turned to the language of the draft decision and revisions were made. 33C/6 was included in the language, which includes points and decisions made at the previous EB. "Welcomes" and "Welcomes equally" were deleted. France tried to add some language stating that we recognized the risks being taken by funding regular program activities with voluntary contributions, but the U.S. and UK disagreed with its inclusion and after discussion it was eventually withdrawn.

16. Agenda Items 13, 14, 15, 16, and 61 and 50, 60, and 7 were clustered for discussion purposes. U.S. Del raised points regarding the need for a more strategic approach to Category II centers in the future, and that we would like to see a strategic analysis of these centers. Dels with specific interests in the Centers discussed their benefits. Iceland raised the concern that the creation of too many centers was diverting resources away from UNESCO priorities. Other Dels supported this and raised points on the feasibility studies being done. The Secretariat stated that these Centers are not proposed by them but by inter-governmental groups or Members and that a feasibility study is done for each one over a period of time-they're not entered into lightly. They also

stated that the Centers are very cost effective and cost benefit analyses on them would prove favorable. The intergovernmental groups such as IHP regularly evaluate them. He believes they can present a better overall strategic analysis and report on them after these centers have been operating for some period of time. He took note that the Member States believe this is required and agrees with it. Draft decisions were adopted with minor language revisions.

17. Agenda Item 49: A report was issued by the D-G following the meeting of Experts recommending delaying a decision until the next Executive Board. A Feasibility Study had not been done yet. Canada suggested that because it was a policy decision, it should be delayed until the 34th GC. U.S. Del supported this, adding the benefit of reviewing it in the context of the entire program for the next biennium. Japan supported this position as well. The decision was adopted in line with this view.

18. Agenda Item 56: Many Dels spoke in support of this item. The decision was adopted with no changes.

19. Agenda Item 11: Many Dels spoke in support of this item. U.S. Del had instructions not to be the first to raise issues with the proposed visits to China for literacy award winners and to only follow on in support of comments made by Korea (which is not on the Executive Board) or presumably if another Del had raised. No other Dels raised any objections or issues. The decision was adopted with no changes.

10. Agenda Item 10: U.S. Del made comments with regard to our support of the Decade and the Implementation scheme, and indicated that UNESCO should provide leadership in this area within existing resources. U.S. Del suggested two changes to the draft decision. Both were agreed to and the decision was adopted. There was little discussion overall.

11. Agenda Item 59: Many Dels spoke in support of this. U.S. Del expressed concern with establishing the Committee at this time. UK suggested that language needed to be included in the statutes reflecting that the Committee and its work should be reviewed at some interval. Canada proposed the size of the Committee needed to be evaluated and possibly reduced. A Working Group was created to amend the statutes, which was successfully done. The decision was adopted based on the amended statutes, which cut the size of the Committee from the present 44 to "up to 20" and include a sunset provision, reportedly a first in UNESCO. Authorization for the Commission will expire in four years. A comprehensive evaluation will be performed and presented to the Executive Board in Spring 2009, which will issue a recommendation to the General Conference as to whether to renew the Charter.

12. Agenda Item 6: U.S. Del made comments that at a time when UNESCO is not on track for meeting EFA goals, it needs to focus on urgent education issues and not divert resources to marginal initiatives, and that it should not seek to allocate funds to a normative instrument when they would be better spent on priorities. UK endorsed our position. Czech Republic also supported. Canada asked for the exact allocation of funds for this activity. The Secretariat responded that there is \$50,000 allocated to the development of the Charter-which everyone agreed was not realistic. There was also discussion on how we need to consider the recommendations of MINEPS. The Legal Advisor responded that there is no legal obligation, just advisory. There was discussion as to the appropriate way to deal with normative instruments between the PX and F&A committees. There was much discussion on the language of the draft decision. U.S. Del proposed deleting paragraph 3. UK supported. Bangladesh suggested adding language to this paragraph instead. France and Italy suggested this paragraph should be decided by PX. This was eventually agreed to after much debate. We tried to change the language in paragraph 5 to "Taking note" instead of "expresses its gratitude". This eventually ended the same as the discussion for paragraph 3. U.S. Del worked with Canada on new proposed language for paragraphs 6 and 7. After lengthy debate and suggestions from other Dels, the draft decision was adopted with the new language.

13. Agenda Item 37: U.S. Del acknowledged progress made in this area, encouraged it continues and indicated our concern with the geographic representation formula. Other Dels praised the report and the progress that's been made. There was some language added to the draft decision urging the Secretariat to continue making progress in this area and the decision was adopted.

¶14. Agenda Item 38: U.S. Del raised questions with the cost estimate for the subcontract and stated our objection to carrying forward the surplus to cover this recurring operating cost. Russia agreed with these concerns and asked for some comparison with other UN agencies. Japan stated that they also do not agree with this practice, however, they are willing to accept it (reluctantly) and if it's an "exception". UK, Germany and Brazil echoed same position as Japan-no one liked it but was willing to accept it. The U.S. was isolated in our objection to this. In drafting the decision language, some changes were added to emphasize that it was an "exception" or "one time" thing. (Comment: We think these inserts were fairly meaningless overall but are somewhat of an improvement over approving it with no comment.)

¶15. Agenda Item 40: This item generated much discussion from a variety of Dels mostly with regard to the relationship between the Executive Board and the HQ Committee, the history of developing the HQ Committee as a subsidiary body to the GC instead of the EB, etc. There was also clarification requested with regard to how the Starck project would be funded and what role the EB had in approving work or funds for these projects. The Legal Advisor finally gave a clear response to this by referring to Fin Reg 7.3. There was a very lengthy discussion on one of the paragraphs of the draft decision; modifications were eventually agreed to ensuring that the HQ Cmte consider Fin Reg 7.3 and asking them to look into other possible alternatives for the Starck project other than that already proposed. It was adopted as amended.

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